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# A concept of the management review and planning functions of comptrollership

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A CONCEPT OF  
THE MANAGEMENT REVIEW AND PLANNING  
FUNCTIONS OF CONTROLLERSHIP

Term report  
Submitted by:

A .W.Gardes, jr.  
Commander, U.S.N.

January 2, 1953

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## INTRODUCTION

The basic purpose of this paper is the examination of the development of my concept of the functions of controllership. In order that such development may be estimated, it is necessary to establish a platform upon which such measurement might be evaluated. To create such a platform, an estimate of preconceived ideas will be set forth.

Prior to November 1, 1951, the U. S. Naval Amphibious Base at Little Creek, Va., was very poorly organized for the purposes of administration. In order to overcome the handicap of having thirteen department heads and eleven independent heads of activities reporting directly to me, I decided that an extensive reorganization of the administrative structure should be undertaken. As a result of much study and examination, an organization evolved which simplified the problem outlined above, and functionalized the grouping of the activities into eleven departments.

An examination of the Management Review and Planning department which was created by the reorganization, will serve to establish the necessary platform, and further serve as a yardstick for the measurement of degree of diversion of thought which has developed since my detachment from duty at the U. S. Naval Amphibious Base, Little Creek, as a result of my study of the problem at George Washington University.

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to establish a relationship with the

overlaid. In practice each individual is assigned a

Received 12 November 1994; accepted 12 December 1994

Journal of Interpersonal Violence 28(12)

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Thirteen different types of wood were used in the construction of the model.

— *Subjects on Test Number 1, no 24 - French SAT/TOEFL and*

• *Journal of the American Medical Association*, 1997; 277: 1001-1005

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which identified the various countries, and identified

the results of the following table show:

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Source: U.S. Census Bureau, *U.S. Census of the Population, 1980*.

1991. The University of North Carolina Press, Durham, NC.

*Little Green*, in a report of its work on the mountain at Javara



## I. THE MANAGEMENT REVIEW AND PLANNING DEPARTMENT

The Management Review and Planning Department was created as a staff department to assist the Commanding Officer in the establishment and maintenance of an efficient management of the affairs of the Base.

The Department charter stipulated that the Department would:

- 1) Conduct studies and prepare reports for the Commanding Officer and for each department toward the improvement and simplification of organization, administration, procedures, and utilization of manpower and facilities throughout the Base.
- 2) Collect and correlate statistical data relating to the performance of the Base as a whole, and its component parts, and keep the Commanding Officer and heads of departments informed as to the resultant analyses.
- 3) Advise the Commanding Officer and department heads on matters affecting the base budget thereby insuring that the Base operations be always maintained in conformity with the directives of the Navy Department concerning appropriations, allotments, and project orders.
- 4) Establish procedures so that all departments could maintain adequate financial controls.
- 5) Review budget estimates to insure a balanced Base budget.

In order to accomplish the mission assigned to it, the Management Review and Planning Department was organized into three divisions:



## I. THE MANAGEMENT SYSTEM AND PLANNING DEPARTMENT

The management system and planning department was created as a staff department to assist the Commanding Officer in the establishment and maintenance of an efficient management of the affairs of the base.

The Department's primary objectives are:

- 1) Conduct studies and prepare reports for the Commanding Officer and for staff departments toward the improvement and clarification of organization, administration, personnel, and utilization of resources and facilities throughout the base.
- 2) Collect and analyze statistical data relating to the performance of the base as a whole, and the component parts, and report the Commanding Officer and heads of departments interested in the results obtained.
- 3) Advise the Commanding Officer and component heads on matters affecting the base and the planning department's studies and reports on matters relating to management and the division of the base's resources, including personnel, equipment, and project studies.
- 4) Establish procedures so that all departments could obtain adequate financial control.
- 5) Advise the Commanding Officer on the base's financial status.

In order to accomplish the above, the Department is organized into three divisions:

(a) Management Review Division

(b) Planning Division

(c) Budget Control Division

each independant of the other, but reporting to a common department head.

The Management Review Division is charged in the charter with conducting surveys of organizational units to determine whether facilities, procedures, and personnel were being best utilized in the performance of the assigned functions. It recommends changes in organization, methods, and facilities where appropriate, to effect improved operations or better utilization of personnel and facilities; and assists in the application of recommendations as approved by the Commanding Officer. The Division studies prospective operations plans to detect increased or lessened requirements and recommends changes in organization, methods and facilities to perform the functions through more economic utilization of personnel, facilities, and materials. It coordinates, advises on, and recommends distribution of personnel within ceilings and allowances.

The duties of the Budget Control Division are to administer allotments granted the Base, apportioning funds between departments as considered appropriate. It originates for the Commanding Officer requests for funds from the Management Bureau, or granting command, for planned operations. It maintains records to reflect current status of each allotment; particularly with respect to outstanding obligations, reservations, and unobligated balances. In addition to keeping the Commanding Officer and Heads of Departments advised

(a) Management Studies Division

(b) Planning Division

(c) Budget Control Division

each independent of the other, but function as a common resource-

ment body.

The Management Studies Division is charged with the overall study

and coordination of the various functional units in the organization

facilities, processes, and personnel. It also has the overall

in the operation of the entire organization. It recommends changes

in organization, methods, and facilities where appropriate, to

effect improved operation and better utilization of personnel and

facilities and assets in the application of technology in

supported by the Management Studies Division. The Division studies processes

operations which are subject to change in order to improve efficiency

and recommends changes in organization, methods, and facilities as

needed for improved operation and better utilization of personnel.

facilities, and assets. It coordinates, advises on, and recommends

allocation of personnel within the organization and elsewhere.

The duties of the Budget Control Division are to:

1. coordinate the financial and administrative functions of the

organization and to coordinate the financial and administrative

functions of the various divisions, departments, and agencies.

for improved operation. It recommends changes in organization

and facilities where appropriate, to effect improved operation

and better utilization of personnel and facilities.

to support the Management Studies Division and to coordinate



as to the status of allotments, the division recommends action to be taken in the utilization of funds. It assembles cost data and statistics necessary to support budget estimates and to permit program performance analysis.

The Planning Division coordinates the maintenance of Base development plans reflecting the current status as well as prospective development. It assembles data and recommendations for review and decision by the planning board or technical review. It prepares for submission to the Management Bureau, with recommended priorities and revisions, such plans as determined by the planning board.

The germination of the controllership functions can be readily detected in this department, and it was in fact a Controllers Department in all aspects except name. This department was conceived of necessity and without the benefit of knowledge or study of the functions of the Controllers Department as advocated by the Controllers Institute of America or other authoritative source.

It is to be noted that there are included within the framework of the Department, many functions not ordinarily recognized to be the responsibility of the Controller. However, the success which was achieved in the combination of the functions has been significant and would appear, therefore, that an examination of the differences in thought is warranted in order to determine whether the concept thus far presented is valid and merits continuation in its present form or possible expansion in scope.

as to the state of affairs, the Division is requested to be informed in the situation of affairs. It is requested that the Division be kept informed of any changes in the situation of affairs and of any other matters which may be of interest to the Division.

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## II. CONTROLLERS INSTITUTE CONCEPT OF CONTROLLERSHIP

The concept of the function of controllership, as developed by Controllers Institute's Committee on Ethics and Eligibility Standards, and approved by the National Board of Directors on 25 September 1949 is:

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.

2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.

3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organizational structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.

4. To report to government agencies, as required, and to supervise all matters relating to taxes.

5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of governmental influences as they affect the operations of the business.

6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.<sup>1</sup>

An examination of the foregoing concept leads one to the conclusion that the functions of controllership are limited to financial

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<sup>1</sup>The Controller, Sept. 1952, p 420



1. THE NATIONAL INSTITUTE OF STANDARDS

The content of the report of the Institute is as follows:

The Institute's Committee on Standards and Statistics

has been organized by the National Board of Standards

to carry out the following work:

1. To establish, coordinate and maintain national standards of measurement, as far as possible, on the basis of the International System of Units, and to advise the Government on all matters relating to the same.

2. To advise the Government on all matters relating to the establishment and maintenance of national standards of measurement, and to advise the Government on all matters relating to the same.

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The Committee on Standards and Statistics



aspects of a business in one form or another. If this conclusion is correct, this concept appears to be unduly narrow in its scope. A thought in this respect was presented by Mr. James L. Pierce:

Whenever the subject of the controllership function is discussed, I am beset with the thought that, properly speaking, controllership is not a function at all. It is rather an attitude of mind. It is a presence, if you will, which enriches and vitalizes the activities of any company in which it is found. A mere set of functions may be assigned to any qualified person, but controllership goes far deeper. It is a trained viewpoint which, when properly exercised, brings balance to management thinking, escorting it through sound channels of business judgement and ushering it into the realm of profitable operation.

(...) We have been accustomed for a long time to think of the controller as that executive who concerns himself with his company's accounting, cost, auditing, taxes, budgets, financial forecasts, insurance, statistics, and so on. Little by little, this view has shifted to higher altitudes, until the activities of the controller have become a recognized segment of managerial thought, entering into every significant move and decision.

An approach to delimiting the stringent financial viewpoint presented in the Controllers Institute concept might be found in the consideration of advantages to be gained with the inclusion of a continuous analysis and comparison of actual performances with authorized programs and objectives. Costs in energy, time, and material, as well as money should be coordinated in analysis and evaluation in order to serve as a basis for decisions by the various management levels in order to assure an adequate balance between the availability of, and use of, resources. Efficient usage of materials, facilities, equipment, manpower, and money is dependant upon continuous analysis of performance data on

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<sup>2</sup>Pierce, James L., "The Controllership Function: A Modern Concept", The Controller, Sept. 1952, p 419

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

each element as related to one another. The Controllers Institute concept does not provide this freedom and scope of analytical activity to the controller.

It is interesting to note that within the first point of the Controllers Institute Concept of Controllership is a provision for the establishment, coordination and maintenance of an integrated plan for the control of operations. This appears to be at variance with the thinking of many authorities who, in the aggregate, do not favor the function of plans preparation as a Controller's responsibility. Rather, they favor plans analysis, review, and coordination as the Controllers duties. This latter view is a further reflection by Mr. Pierce:

- The operating plan cannot be the controller's plan, or at least it must not be thought of in ~~that~~ light. (...) Many a controller has stumbled on this cardinal principle.<sup>2</sup>

Mr. John van Belt is even stronger in his presentation of the same point:

At this point a word of warning should be injected. The coordinator (controller) is not a formulator of plans.<sup>3</sup>

On the other hand, the budget has been rather universally described as an operating plan expressed in financial terms, and all authorities agree that the controller must be assigned the function of coordinating the budget in its formulation stage. It is axiomatic, apparently, that one of the primary duties of the

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<sup>2</sup> Ibid., p 121

<sup>3</sup> van Belt 3rd, John, 'The Place of the Controller in Management Planning and Control', The Controller, October 1952





controller is the establishment of a budget, and the coordination and maintenance of it. The maintenance of the budget involves the principle of analysis, which will be discussed in a following area of this paper.

A budget should not be considered as an estimate of the results to be expected of the activities of an organization over the fiscal period. Rather it should be considered as an integrated operating plan as indicated above, expressed in financial terms. A budget provides a basis for the control of operations in the establishment of a definite standard of performance in every area of the organization. Variations between actual results and the established standards may or may not be indicative of inefficient performance. Many factors must be considered, and the areas wherein the budget does not measure up to performance are the principal areas in which the controller finds interest. Immediate presentation of factors involved enables the various levels of management to institute the necessary action to overcome non-standard performance, or the controller to institute changes in his budgeted standards, and management to capitalize upon the better-than-standard performances revealed.

In the supervision of the budget, then, the controller's principal function with relation to the budget is the continuous comparison, analysis and presentation of actual performance or performance variance, with the planned objectives. As a result of the presentation, any new action which might be indicated is determined and all operating activities rebalanced toward the attainment



of the adjusted objective.

The maintainance of balance between activities is necessary to the successful conclusion of any coordinated effort. To this end, the responsibilities of the controller for the functions of analysis and reporting of budgeted variances can not be confined to fiscal service alone. Budget supervision must relate manpower, material resources and consumption, and time, as well as financial resources. Correlation of these factors will present an integrated picture for the rebalancing of the organizations efforts.

In order to achieve efficient correlation, the controller must establish a system of cost, progress, and objective analysis as well as budget analysis, within the confines of his organization.



to the subject matter.  
The relationship of cause between activities is necessary  
to the successful completion of an organized effort. To this  
end, the responsibility of the controller for the location of  
analysis and control of all business activities can not be over-  
stated. It is the duty of the controller to see that the  
business is conducted in accordance with the plan, and that the  
results are in accordance with the plan. The controller is  
responsible for the preparation of the financial statements,  
and for the preparation of the budget, and for the control of  
the business.

In order to ensure efficient operation, the controller  
must maintain a record of all business activities, and must  
be able to produce a statement of the results of the business,  
as well as to control the business, and to see that the  
business is conducted in accordance with the plan.

### III. PERFORMANCE MEASUREMENT BY THE CONTROLLER

Referring again to the Controllers Institute concept of the function of controllership, it would appear that the second paragraph would provide the necessary freedom to the controller which he might feel to be a necessary prelude to his excursion into the field of performance measurement.

2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes\* the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.<sup>1</sup>

The presence of the word 'includes' seems not to be recognized by the controllers in industry. Rather, the latter portion of the principle seems to consummate the interpretation of the entire statement. This thought approaches the rigid requirements of being factual as more and more controllers are interviewed and asked for their thoughts on the problem of performance measurement. Exceptionally few have recognized the interpretation that performance measurement might extend beyond the fields of accountancy and statistical records.

The Department of the Army is one such organization<sup>(h)</sup> that extends performance measurement to embrace its full potential. The Comptroller of the Army has divided his office into Budget, Statistical, and Management Divisions. Based upon the principle

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\* Underscoring provided

1 ibid

(h) Other organizations include U.S. Steel Corp. and General Electric Corp.



that the goal of Management is the effective direction and supervision of the workload under well defined policies through simple procedures which insure necessary accomplishments in the most effective possible manner, the responsibility for manpower control has been placed in the Manpower Branch of the Budget Division. The work of the Manpower Branch complements that of the Estimates and Budgetary Control Branches of the Budget Division in so far as analysis and determination of military and civilian personnel requirements are concerned for all Department of the Army non-tactical operations.

However, the real heart of Performance Measurement outside of the field of budgetary or financial evaluation is in the Management Division of the Comptroller's Office. Whereas this division does not attempt to control or manage the operations of the Army, it does serve the Army in much the same manner as a management engineering firm by assuring the prompt and maximum application of modern management principles and techniques to Army activities. Among the programs which are active within this Division are:

- Management assistance
- Managements surveys
- Methods and procedures surveys
- Personnel requirements surveys
- Performance standards and staffing criteria
- Codification of Army laws
- Department of the Army organization improvement
- Performance evaluation

The Management Survey program involves the making of comprehensive management studies of organization, methods, procedures, records, and personnel utilization and assignment, of the various agencies of the Army. The Personnel Requirements Survey program





is restricted to the determination by "yardsticks" or other criteria the personnel requirements of military installations and Headquarters agencies, and making recommendations as to their needs.

Thus we see how the function of manpower utilization is tied into the Comptroller's office in the Department of the Army. Herein lies an example of the broadest interpretation of the second principle of the Controllers Institute concept:

To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management.<sup>1</sup>

There has been no limitation placed upon this principle to create mental indigestion in the Army's interpretation other than recognition that the exercise of this principle must remain within the strict confines of a service function, and not degenerate into an operating or command type function.

In the Army, the Comptroller is concerned with the integration and coordination of the program review and analysis function of the various staff agencies of the Army. There is no statutory requirement that the Comptroller perform these services, or perform the service of inspecting manpower utilization. The Army concept of controllership simply includes these functions into its pattern.

On the other hand, the charter of the Comptroller of the Navy precludes his work in these fields, and reserves the functions of quantitative and qualitative analysis to the office of the Management Engineer. In so doing, the Navy has limited the Comp-





troller of the Navy largely to functions of fiscal historianship in so far as self-generated analysis is concerned, and any attempts at analysis outside of the immediate fiscal field must, of necessity, be dependant upon information provided by the Management Engineer, especially in the area of work measurement.

Since the results of work measurement studies are so vital to successful analysis in controllership, and since the controllers analyses hold the keys to the direction, evaluation, distribution, and requirements of manpower utilization, the functions of the management engineer should be under the direction of the controller. The Comptroller of the Navy, in comparison with his Army colleague, is greatly hampered in the exercise of the "watch-dog" phase of controllership. The lack of this freedom does cause some intra-functional friction at the working levels of the Management Engineer and Comptroller offices.

The controller function is designed to bring to management (and in the case of the Navy, to the Commander who has the full responsibility for effective and economical operation of the command) a complete service function of information and analysis, of potential problem areas, and the submission of action recommendations for consideration. The attainment of the designed function cannot be completely fulfilled without the immediate availability of the related staff services under one head rather than in two or more departments.



#### IV. THE CONTROLLER AS THE PLANNER

As indicated earlier, the controller should not be given the responsibility for the formulation of plans. As a coordinator in the preparation of the budget, and as the agency which physically prepares the coordinated budget, the controller is of course, in his proper element; but as the originator of any type of plan, including the budget, the controller must of necessity be eliminated. Nor should the final approval of any budget or financial plan which the controller might coordinate be left with the controller. Final approval should always be the undellegated function of higher authority, either the president of the corporation or the Board of Directors; and in the case of the Navy, the Secretary.

In any organization desiring to establish a sound procedure of planning and control, a means must be provided wherein a plan is worked out in simultaneous action by all interested agencies, to the end that the ideas of each agency may not be overlooked or ignored. In areas of conflicting ideas, inter-agency conference may then eliminate the differences. The coordinating agency should have no specifically assigned duties in connection with the execution of the plan being formulated. To have such duties, would introduce a bias which could have unfortunate results. No responsible operating executive should set his own standards of performance.

The position of the controller, relative to planning, can best be presented by examination of his position relative to operating executives. He is detached from active production





within any organization with the exception of production from his own department. He has access to information as to the results of all segments of a business or organization, and the plans of operation. He is in a position to sit in objective judgement on the results of overall operations and to indicate needed changes in standards for individual departments. He should not be expected to set the standards which by his review he has determined to be in need of revision, but he should always be available to act as an advisor in these cases.

Every organization, whether military or business, has a large file of plans. These may be standing plans, or one-time usage plans; expansion or mobilization plans; budgetary or other financial plans. It is part of the controllers function to integrate these plans and divide them into understandable segments against which measurement of performance might be accomplished, and analysis of progress maintained. The controller is also in a position to establish or question the validity of any plan in relationship to all others.

The approved plans set the goals, and the methods and rates of their accomplishment. The controller keeps a running record of the progress and by integration of the variety of data available to him keeps the head of his organization apprised of the progress made. He provides his management with the answers to "Where have we been?", "How well have we been doing?", "Where are we now?", and "When may we expect to get there?".

The controller maintains a service of complete factual infor-

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mation relative to resources available and their rate of consumption, as well as analysis of the effect that these elements will have on the attainment of the mission.

For these reasons, the controller should have continuous access to planning and programming developments as they occur, if the controller is to be of material assistance in the revision of standards and plans as required by changing aspect of material and financial resources, and if he is to continuously relate progress against budgetary considerations. Should the controller obtain a bias through active participation in the formulation of plans, it is easily and readily understood that resultant analysis could be unintentionally influenced to a serious degree.

It is sometimes argued that detailed plans of operation are not common in business fields. The general philosophy of efficient planning for management is not new. It has been an accepted necessity in the field of military operations since the memory of man. Today it is an area of experimentation and exploration in business.

Quite a few corporations of large size have undertaken programs designed to develop management planning and control to the point where it produces the basic pattern of operation for the corporation, requiring that programs of action be thought out in advance and controlled throughout their history so that they may be adjusted when unforeseen circumstances arise.<sup>3</sup>

With respect to the function of the controller relative to the coordinator of plans, analyst of progress, and tailor of financial resources to the pattern of the plan, the title of controller is misleading. The controller does not control. Rather he analyses, reports, and advises. The head of the firm

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<sup>3</sup> ibid



condition relative to resources available and their state of knowledge.  
from the world of objects of the world that these elements will  
have as the extension of the relation.

For these reasons, the condition should have conditions relative  
to objects and programs developed in the world, if the con-  
dition is to be the actual condition in the relation of extension  
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or the military commander does the controlling. He does not make or carry out decisions of an operational nature, except in the sphere of financial operations over which authority has been delegated to him, and then only to the extent that the Treasurers duties do not overlap. The only positive type of control which the controller exerts with relation to the operating segments of an organization is that force which guides the organization without actively steering the course to its approved objectives in accordance with its approved plans. He never directs, but sees that the officer with the authority to act has the information in such form as to make plain the action which must be taken.



## V. THE CONTROLLER AS MANAGEMENT AUDITOR AND MANPOWER CZAR

Thus far, the controller has been portrayed as an auditor of management, without having defined a management audit. The term "Management Audit" has been defined as the evaluation of effectiveness of all administrative controls other than accounting controls and progress reporting, analysis of organization and methods, and the development of procedures.

There are many arguments for the inclusion of organization and methods analysis within the framework of controllership, as has been done by the Department of the Army, and previously referenced. Whether or not these functions are included within the framework of controllership seems to be of little importance so long as there is some provision made for the functions within the framework of the organization. Since few organizations are of sufficient size to separate these duties into other departments, they naturally fall into the controller's province by reason of likeness of functions.

Control of manpower ceilings is of great interest to the controller, particularly in the non-operating or administrative areas. It is in the field of indirect costs that the controller must exert much influence towards efficiency. It is for this reason that the controller is so often burdened with the responsibility of office managership in smaller business organizations.

Manpower control not only contemplates the regulation of ceilings and the preparation of personnel reports and statistics, but it includes the field of work measurement reporting and evalua-





tion, and the integration of manpower requirements and controls with budget estimates and financial plans. The determination of the number of people required per work unit, which is the essence of work measurement is but a prelude to the other half of the quantitative analysis; the measurement of the number of dollars per person, or item, which is cost accounting.

Efficiency of operation contemplates the field of qualitative analysis and involves the fields of work simplification for the improvement of work methods per operation and the improvement of productivity per man hour involved. As previously indicated, the field of qualitative analysis could be made the responsibility of some other functionary so long as provision is made for its inclusion within the organization.



## VI. CONCLUSION

I do not believe that there has been any major revision in my concept of the breadth of controllership duties as a result of concentrated study of the subject thus far. Rather, minor modification of thought in various areas has developed. It is realized that my thinking has been associated with the problems of military controllership as exemplified by naval shore establishments, but the principles evaluated have their counterparts in the various fields of business, for the most part.

My concept of the controllers duties relative to budgetary administration and control have been expanded, and my concept of his responsibilities in the realm of planning have been greatly contracted, but the presence of those responsibilities and duties within the field of controllership remain solidly with me.





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